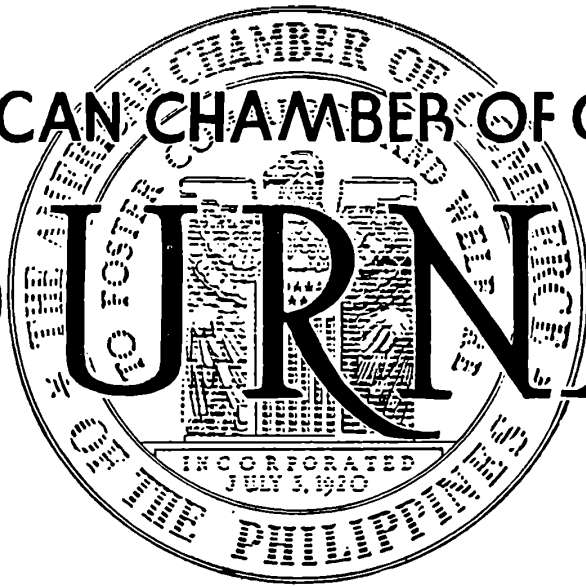


# THE AMERICAN CHAMBER OF COMMERCE

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## Editorials

*"... to promote the general welfare"*

The October 30 *McGraw-Hill American Letter*, Philippine Edition ("An exclusive advisory service for executives in the Philippines"), contains the following interesting paragraphs on the Philippine-American Trade Act negotiations now in progress in Washington, D.C., which the *Journal* is privileged to reproduce by special permission:

**McGraw-Hill on the Trade Act Negotiations**

**"U. S. WILL OPPOSE INCREASES IN MARGIN OF PREFERENTIAL TRADE WITH ISLANDS:** Reliable sources in Washington report that Philippine-American trade act negotiations are proceeding with American position unchanged. This country will continue to resist modifications which would increase margin of preferential treatment granted the Philippines. Washington will consider sympathetically any tariff adjustments suggested by Manila delegates, as long as they are reciprocal and do not increase margin of preferential trading. You can even expect some attempt by U. S. representatives to get margin narrowed.

"American officials believe increase would harm Manila in long run. Much of Philippine trade with U. S. is considered basically uneconomic because of high transportation costs involved. Key aim of Bell Trade Act was to gradually lessen heavy dependence of Island economy on U. S. Washington still feels this is important. Opinion here is that Manila must expand trade with nearby areas, notably Japan, rather than tighten preferential trading ties with this country. At the same time, U. S. officials point out that under General Agreement on Tariffs and Trade this country is committed not to increase preferential trading margins. Conclusion is that such increases would be unpopular at home and abroad.

**"AMERICAN BUSINESS INTEREST IN THE FAR EAST SHOWS SHARP UPTURN:** Recent New York conference of Far East-America Council of Business and Industry reveals wide range of interest in Asian economic affairs among businessmen here. Attendance this year doubled 1953 session. Far East representatives place major stress on U. S. need to bolster democratic Governments against Communism through aid programs. Although this view is gaining support, some high U. S. officials still believe that Asian Governments need U. S. more than this country needs them. This thinking will continue to influence American action."

Philippine policy makers may well take such information as this into consideration, as also our businessmen.

The decision of the Philippines to become a member of the group of nations, now numbering seventeen, which have associated themselves under the so-called Colombo Plan aimed at increasing the productivity and raising the standard of living in the countries of South and South-East Asia, is a development well worth noting.

The idea for the Colombo Plan originated at a meeting of the prime ministers or foreign ministers of the British Commonwealth of Nations in January, 1950, held in Colombo, Ceylon. The situation of the countries of this region was taken up and it was decided to create a consultative committee which would survey the needs of the area and assess the resources of capital and technical man-power available, and also seek both to focus attention on the problem and to provide a framework around which an international cooperative effort could be developed. The committee initially comprised Australia, Canada, Ceylon, India, New Zealand, Pakistan, and the United Kingdom and its territories in Malaya and Borneo, but it was intended from the first to invite other countries in the region to participate, and it was hoped also that other countries outside the area would wish to assist in the program.

The first meeting of the Consultative Committee was held in May, that same year, in Sydney, Australia, where it was decided that the various associate countries would draw up their own development programs to cover a period of six years from July 1, 1951. Agreement was also reached on the so-called Technical Cooperation Scheme to which the Commonwealth Governments agreed immediately to contribute an amount up to £8,000,000 over a three-year period ending June 30, 1953. A Council for Technical Cooperation was constituted to operate the Scheme under a Bureau with headquarters in Colombo.

A second meeting of the Consultative Committee was held in London, still that same year (September, 1950), and here the development programs meanwhile prepared by various countries in the region were considered and incorporated in a report entitled "The Colombo Plan for Cooperative Economic Development in South and South-East Asia". The total cost of the programs presented was then estimated at £1,868,000,000 over the six-year

period, and while it was thought that a good part of the funds required could be raised within the region itself, it was estimated that £834,000,000 would have to come from sources outside the region besides a sum of around £250,000,000 which would be made available in the form of releases of blocked sterling balances due to countries in the area. For the first year, the estimated external capital requirement was £156,000,000 in addition to £50,000,000 from the sterling balances. At this meeting, Burma, Cambodia, Indonesia, Laos, Thailand, and Vietnam were represented by observers.

**R**ELATING the Colombo Plan to the general world background at the time, with special reference to American efforts at post-war rehabilitation, it is to be noted that the Marshall Plan and the United States Aid to European Recovery had been initiated in 1947, that the Economic Cooperation Act became law in 1948, and that the North Atlantic Treaty, the Mutual Defense Assistance Act, and the International Development Program, better known as the Truman "Point Four Program", all dated from 1949.

As for the Philippines, American aid had begun immediately upon Liberation, at first extended mainly by the U. S. Army, and aid was continued under the terms of the Tydings War Damage Act of 1946 and through the Quirino-Foster Agreement of 1950 which provided for the operation in the Philippines of the ECA (Economic Cooperation Administration), the first ECA Mission arriving in 1951.

Meanwhile the United Nations' Economic Commission for Asia and the Far East had been established in 1947, the Philippine Committee on ECAFE Matters being created by an executive order of President Quirino in 1951.

The 1950 (London) Report, already referred to, acknowledged the considerable contribution already being made or planned for the South and South-East Asia region by the United Nations and its Specialized Agencies and by the United States, as well as by private enterprise, but concluded that the need both for capital funds and technical aid was sufficiently great and urgent to warrant further action under the Colombo Plan.

After the Report had been drawn up, Vietnam and subsequently Cambodia and Laos accepted the Committee's invitation to participate in the Plan, and toward the end of the year (1950), the United States expressed its willingness to take part in the work of the Consultative Committee. Liaison with the International Bank for Reconstruction and Development was also established.

**T**HE third meeting of the Consultative Committee was held in Colombo in February, 1951, and was attended by delegates from the United States and a representative also of the International Bank. Non-member countries again sent observers including, for the first time, the Philippines.<sup>1</sup> At this meeting the Commonwealth Governments outside the area announced the financial contributions they would make,—Australia offering to make £A31,250,000 available over the six years of the Plan; Canada, \$25,000,000 the first year for development projects in India and Pakistan; New Zealand, £1,000,000 a year during the first three years; the United Kingdom, the release of some £250,000,000 in accumulated sterling balances over the six-year period. The United States made around \$70,000,000 available to the countries associated under the Plan during 1950-51, and during the year ending June 30, 1952, approximately \$150,000,000 more was to be extended in grants under bilateral agreements with the individual countries. In addition, around \$280,000,000 had been authorized for loans to the various countries in the area after July 1, 1950, this including a loan of \$190,000,000 to India for wheat. The International Bank also negotiated loans with the individual governments, part of the proceeds of which were received by them during this period.

**T**HE fourth meeting of the Consultative Committee was held in Karachi, in March, 1952, Burma attending for the first time as a full member. Nepal also attended and became a member.<sup>2</sup> After this meeting, "The First Annual Report of the Consultative Committee on Economic Development in South and South-East Asia" was published under date of May, 1952. Appended was the "Report of the Council for Technical Cooperation". This Council had held meetings independently of the Consultative Committee meetings, and while the original members were Australia, Canada, Ceylon, India, New Zealand, Pakistan, and the United Kingdom, Vietnam and Cambodia joined in 1951 and Indonesia, the Philippines, and Thailand were represented at many of the meetings, as were members of the staff of the United Nations Technical Assistance Board.

**T**HE fifth meeting of the Consultative Committee was held in New Delhi, in October, 1953. It was attended by delegations from Australia, Burma, Cambodia, Canada, Ceylon, India, Indonesia, Laos, Nepal New Zealand, Pakistan, and the United Kingdom, including representatives from the Federation of Malaya and Singapore, the United States, and Vietnam, all of whose governments now were full members. The meeting was also attended by observers from Thailand, the International Bank for Reconstruction and Development, the U. N. Economic Commission for Asia and the Far East, and the Director of the Colombo Plan Bureau for Technical Cooperation.<sup>3</sup>

**J**UNE 30, 1953, marked the end of the second year of activity under the Colombo Plan. During this second year, the public authorities of India, Pakistan, Ceylon, Burma, Indonesia, and the Federation of Malaya, Singapore, and British Borneo spent £420,000,000 on development, as compared with £345,000,000 the preceding year. For the third year, the estimated expenditures was put at £528,000,000. Broadly, 30% of the 1952-53 expenditure was on agriculture and multi-purpose projects, 25% on communications and transport, 20% on social services, 10% on industry, fuel, and power, and the remainder on research and miscellaneous items. In most of the countries there was also an appreciable increase in private investment and several governments took special measures toward encouraging the investment of foreign as well as domestic capital.

The following table is taken from a 1953 Report:\*

**EXTERNAL CAPITAL AID: EXPENDITURES AND COMMITMENTS, 1951-53**

*Expressed in £ sterling (millions)*

Donor Country	India	Pakistan	Ceylon	Indonesia	Nepal	Burma	Cambodia, Laos, Vietnam
Australia (1).....	5.36	4.56	.56	.20	—	—	—
Canada (2).....	10.30	7.00	.70	—	—	—	—
India (3).....	—	—	—	—	1.13	—	—
New Zealand (4).....	.25	.50	.50	—	—	—	—
United States (5).....	34.68	8.10	—	4.71	.25	7.46	17.30
Norway (6).....	.50	—	—	—	—	—	—

- (1) Australia has pledged £25.0 million during the 6-year period: by the end of 1952-53, £10.68 million had already been spent or committed for expenditure in India, Pakistan, Ceylon, and Indonesia.
- (2) Canada has voted a further £9 million for 1953-54.
- (3) India has pledged a total of £1.5 million of aid to Nepal.
- (4) New Zealand has pledged £3 million over the first 3 years; already £2.378 million has been spent or committed for expenditure in India, Pakistan, Ceylon, and Indonesia.
- (5) United States has also met food shortages in India and Pakistan with about £107 million in the form of grants and loans for the purchase of wheat.
- (6) Norway has authorized so far £0.2 million for a joint fisheries development project in Travancore-Cochin.

\*These and the foregoing figures were taken from various British publications on the Colombo Plan. Wilfrid Malenbaum, in a U. S. Department of State Bulletin, dated September 22, 1952, states that up to June 30, 1952, United States aid to the countries in the area amounted to \$250,000,000, including the Wheat Loan to India plus \$40,000,000 in technical aid, making a total of \$290,000,000.

<sup>1</sup>Dr. Andres Castillo and Mr. Leonides Vireta, both of the Central Bank.  
<sup>2</sup>Mr. Tagakotta Sotto, Charge d'Affaires in Karachi, attended this meeting as an observer.  
<sup>3</sup>The Philippines did not send an observer to this meeting.

THE sixth and latest meeting of the Consultative Council was held in Ottawa, Canada, last month (October). At this meeting Japan and Thailand were admitted to full membership, leaving the Philippine delegation, composed of Representatives Ramon M. Durano, Augusto Francisco, Ferdinand E. Marcos, and Counselor Eduardo Quintero, as the only observers remaining. Encouraged by the United States delegation, and after an unsuccessful attempt to obtain definite instructions from the Manila Government, the Philippine panel applied for membership on its own responsibility, this being granted. A day or two later, Malacañang endorsed this action. It is still to be ratified by the Senate.

A report of the proceedings at this meeting is not yet at hand, but according to a 1954 publication of the Bureau of Technical Cooperation, Colombo,—

"The total amount of external aid which the four countries of the Commonwealth received or were authorized to receive during the first two years of the plan was £305,000,000. . . If the countries of Burma, Nepal, and the Associated States of Cambodia, Laos, and Vietnam are also included, the total amount of external aid came to about £370,000,000, excluding private investments from foreign countries. These figures do not include expenditure on technical assistance.

"The flow of external aid into the area continued in 1953 to 1954 and while details are not yet available, it is likely that the total aid offered to the region exceeds £470,000,000.

"The aid has taken the shape of capital aid and technical assistance. Capital aid includes a variety of manufactures, plant and machinery and equipment for the development of agriculture and irrigation, hydro-electric power, transport and communications, and industry, as well as social services. . .

"Up to June 30, 1954, 263 experts had been provided and 1,653 trainees trained under this scheme, the United Kingdom, followed by Australia and Canada having made the largest contributions."

As Frederic Benham said in the May, 1954, issue of *Economica*:

"The Colombo Plan is one of those voluntary and flexible arrangements, based on goodwill, which are not subject to any formal rules. It is not really a Plan at all. It may be regarded as an envelope covering the programs of member countries in South and South-East Asia. But each of these countries is completely free to revise its development program whenever and however it may wish: it is not subject to any control by other members over either its general planning or its detailed administration of its various projects. The plan promotes co-operation, mainly in the provision of financial aid and technical assistance, between the countries of the area and member countries outside the area, and also between the countries of the area themselves. But every offer of help is the subject of direct bilateral negotiation between the two countries concerned, who settle all the details entirely by themselves.

"There is, however, a Consultative Committee of all member countries. This holds annual meetings. . . to review the progress achieved and the outlook for the future. . . At these meetings, ministers and officials from the various countries exchange information and views about the economic problems of the area; they learn at first-hand what is happening in each country in the economic field. The account given by one country of the devices it had adopted to tackle particular difficulties, and in what respects they have succeeded or failed, may be helpful to another country faced with similar difficulties."

Samuel C. Waugh, U. S. Assistant Secretary of State for Economic Affairs, who attended the Ottawa meeting, said some days later in a speech in New York that "while in its origins, the Colombo Plan was a Commonwealth concept" and it initially included, on the one hand, the economically developed countries of the Commonwealth and, on the other, the economically underdeveloped Commonwealth countries of the region, "the geographic scope of the membership has been so radically enlarged that it can no longer be thought of as being, in any way except historically, a Commonwealth project."

Assistant Secretary Waugh also emphasized that the Colombo Plan is simply an inter-governmental committee, and that there are no contributions to any central pool from which various amounts are allocated by any international organization. "Our assistance to the countries in the area," he said, "like that provided by Canada, Australia, New Zealand, and Great Britain, is bilaterally given and bilaterally received. . . We are not under any contractual obligation either to provide any definite amount of

assistance to any one country or to all of them taken together. Our contribution. . . is the sum total we do in the various countries of the area to promote the economic development of these countries."

Mr. Waugh pointed out that while it has been customary to draw a "loose line of distinction between the so-called recipient countries and the so-called contributing countries," this distinction is becoming "more and more a tenuous one because,—and this is one of the great virtues of the Plan, there has been engendered a process of co-operation and mutual aid among the recipient countries such that almost all of them are, to a greater or lesser extent, contributing countries to each other. They borrow technical skills and technical assistance from each other according to their respective needs and their respective capacities to assist."

The Philippines has been receiving training scholarships under the Plan from Australia, India, and the United Kingdom for some years, even while it was sending only observers to the meetings of the Consultative Committee and to the policy meetings of the Council for Technical Cooperation.

THE Philippines' joining the Colombo Plan is in consonance with the Government's announced policy of bringing about closer and more friendly relations with its neighbors.

The Colombo Plan offers a ready means through which the Philippines can implement those provisions in the Pacific Charter and the South-East Asia Collective Defense Treaty, done in Manila last September, which call for cooperation among the signatories "in the economic, social, and cultural fields in order to promote higher living standards, economic progress, and social well-being in the region."

One thing the Philippines can do is to assist in the technical training field, and an offer to this effect was, in fact, made at the Ottawa meeting.

There could be some overlapping in the training programs of various specialized agencies of the United Nations, of the U. S. Foreign Operations Administration, and, now, of the Colombo Plan, but it has been reported that the National Economic Council will eliminate unnecessary duplication in the carrying out of these various programs. The programs being carried out by the U. S. State Department under the Fulbright and Smith-Mundt Acts, have to do with cultural and educational, rather than technical matters.

THERE have been some indications lately pointing to the fact that there are those in the Philippines who view Philippine membership in the Colombo Plan with some dubiety because they think the United States does not look with full favor on this development. The nature and history of the Plan, the fact that the United States almost immediately associated itself with it as a full member and from the first contributed largely to the external capital aid given to the region, as well as the encouragement shown the Philippine delegation at Ottawa by United States representatives, should convince anyone that it is not true that the United States looks upon Philippine membership unfavorably. Such an attitude would indeed be most unwise as well as very small.

THE Colombo Plan is a dynamic one, as its history shows, precisely because it emphasizes autonomy and self-help as well as cooperation and outside assistance, of which it is not suspicious. Although the original six years set are now a little more than half over, there is no reason why the Plan should not be maintained in operation over a long period of time. It is a fine thing for the Philippines to join with the others and take part in bringing about the development of the whole region, upon which its own further development so largely depends.